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Japan Considering Relaxing Feed Ingredient Mixing Requirements

Report Categories:

Grain and Feed

Oilseeds and Products

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Report Highlights:

On December 22, 2016, Japan's Cabinet approved a Ministry of Agriculture, Forestry and Fisheries (MAFF) proposal to permit soybean meal, coconut oil meal, rapeseed meal, cottonseed oil meal, soybean hull, soy pulp (okara) and alfalfa meal to be mixed with duty-free feed corn for the production of mixed feed. Additionally, in an effort to facilitate the use of domestically produced feed corn, restrictions on mixing domestically produced ingredients with imported duty-free feed ingredients may be relaxed. The revision is pending approval and signature from the Minister of Finance, and is expected to become effective in the next Japanese fiscal year, which begins April 1, 2017. Up to 1,200 metric tons (MT) of animal protein utilized in 2016 may be replaced with vegetable protein if this proposal becomes effective.

Keywords: JA7021, vegetable protein, soybean, rapeseed, cottonseed, alfalfa, feed, sorghum, corn

General Information:

Japan heavily relies on imported ingredients for feed production, and, accordingly, permits corn, milo and other grain sorghum, rye, banana meals, sugar, molasses, cassava and sweet potatoes (hereinafter collectively referred to as “imported duty-free feed ingredients”) to be imported duty free. In order for the aforementioned feed ingredients to be imported duty free, they must be used by feed mills, which are certified by Japan Customs, to produce compound and mixed feeds which comply with GOJ-set mixing ratios for ingredients (in order to prevent these ingredients from being diverted to food use). The mixing ratios are set for four types of compound and mixed feed: 1) the total weight of skimmed milk powder, whey and prepared whey is no less than 30 percent of the total weight, 2) the weight of molasses is no less than 20 percent of the total weight, 3) the weight of sugar is no less than 10 percent of the total weight, or 4) as follows:

4.1 The weight of ingredients other than the “imported duty free feed ingredients” is not less than 12 percent of the total weight.

4.2 The weight of animal proteins - feather meal, meat and bone meal, whole blood meal, pupae meal, fish meal, fish soluble, and fish soluble absorbed feed - is no less than two percent of the total weight, or

4.3 The weight of heat-treated, pressed (into flat form) and/or pressurized milo or other grain sorghum and/or corn is no less than 50 percent of the total weight of the “imported duty-free feed ingredients.”

NOTE: Mixing “imported duty-free feed ingredients” with similar kinds of domestically produced ingredients and duty-paid ingredients (hereinafter collectively referred to as “similar domestic ingredients”) is prohibited when producing compound and mixed feed at certified feed mills unless Japan Customs approves.

On December 22, 2016, Japan’s Cabinet approved a Ministry of Agriculture, Forestry and Fisheries (MAFF) proposal to add seven vegetable proteins - soybean meal, coconut oil meal, rapeseed meal, cottonseed oil meal, soybean hull, soy pulp (okara) and alfalfa meal - to animal proteins in the mixing ratio of 4.2, as defined above -- a mixed feed product comprising corn and no less than two percent of fish meal which feeds poultry and swine.

Japan produced nearly 60,000 metric tons of this mixed feed product (corn mixed with two percent of fish meal) in JFY2015. As the price of fish meal in Japan has risen steadily since 2007, MAFF estimates that replacing fish meal with vegetable proteins could reduce the price of mixed feed for animals in Japan by 156 million yen (\$1.387 million). Moreover, due to restrictions on feeding animal proteins to cattle, fish meal is prohibited from being fed to cattle. However, after the revision, corn mixed with vegetable proteins will be allowed for cattle feed.

Additionally, the prohibition of mixing “imported duty-free feed ingredients” with “similar domestic ingredients” is also proposed to be relaxed. While Japan Customs approval will still be required, the weight of the “imported duty-free feed ingredients” will be combined with the weight of the “similar domestic ingredients” when used in calculating mixing ratios. According to MAFF, the purpose of this revision is to enable the use of domestically produced corn in compound feed production in order to mitigate the risk of price fluctuations for imported corn. Japan started planting dent corn for feed in recent years, but the production remains very limited (the planted area is reportedly several hundred hectares in Hokkaido).

Once the Minister of Finance approves the proposal, the Implementing Ordinance of the Customs Tariff Act will be amended to effectuate the above-referenced revisions. The proposed change is expected to become effective in the new Japanese fiscal year, which begins April 1, 2017. Up to 1,200 metric tons (MT) of animal protein utilized in 2016 may be replaced with vegetable protein.

Japan imported approximately \$2 billion/10 million metric tons (MMT) of feed corn in CY 2016 (\$1.3 billion/7 MMT of which was from the United States), and another \$124 million/632,000 MT in sorghum (\$19 million/90 million MT of which was from the United States).¹ Japan has 154 certified mills that are able to import feed corn duty free and take advantage of this proposal.

¹ The majority of imported sorghum, including that which is imported under food categories, is consumed as feed.